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OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



**DARLENE GREEN**  
Comptroller

***Internal Audit Section***

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September 24, 2008

Gary Morse, Executive Director  
Community Alternatives, Inc.  
3738 Chouteau Ave.  
St. Louis, MO 63110

RE: Review of Community Alternatives, Federal Emergency Shelter Grant (FESG),  
Document #55752, CFDA #14.231; Supportive Housing Program (SHP),  
Document #49584, CFDA #14.235; (Project #2008-HOM29)

Dear Mr. Morse:

Enclosed is a report of our fiscal monitoring review of the Community Alternatives, Inc., FESG and SHP Grants, for the period November 1, 2005 through December 31, 2007. The scope of a fiscal monitoring review is substantially less than an audit, and as such, we do not express an opinion on the financial operations of the Community Alternatives Inc. Our fieldwork was completed on June 11, 2008.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised and has been conducted in accordance with the *International Standards for Professional Practice of Internal Auditing* and through an agreement with the City of St. Louis Department of Human Services (DHS) to provide fiscal monitoring to all grant sub-recipients.

If you have any questions, please contact the Internal Audit Section at (314) 622-4723.

Sincerely,

Dr. Kenneth M. Stone, CPA  
Internal Audit Executive

Enclosure

cc: Patrick Brennan, Fiscal Manager, DHS  
Antoinette Triplett, Program Manager II, DHS



# CITY OF ST. LOUIS

*DEPARTMENT OF HUMAN SERVICES  
HOMELESS SERVICES*

*COMMUNITY ALTERNATIVES, INC.  
FEDERAL EMERGENCY SHELTER GRANT (FESG)  
DOCUMENT #55752  
CFDA #14.231  
SUPPORTIVE HOUSING PROGRAM (SHP)  
DOCUMENT #49584  
CFDA #14.235*

*FISCAL MONITORING REVIEW  
NOVEMBER 1, 2005 THROUGH DECEMBER 31, 2007  
PROJECT #2008-HOM29*

*DATE ISSUED: SEPTEMBER 24, 2008*

*Prepared by:  
The Internal Audit Section*



## OFFICE OF THE COMPTROLLER

*Honorable Darlene Green, Comptroller*

**CITY OF ST. LOUIS  
DEPARTMENT OF HUMAN SERVICES (DHS)  
HOMELESS SERVICES  
COMMUNITY ALTERNATIVES, INC.  
FEDERAL EMERGENCY SHELTER GRANT (FESG)  
SUPPORTIVE HOUSING PROGRAM (SHP)  
FISCAL MONITORING REVIEW  
NOVEMBER 1, 2005 THROUGH DECEMBER 31, 2007**

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SUPPORTIVE HOUSING PROGRAM (SHP)  
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**INTRODUCTION**

**Background**

**Contract Name:** Community Alternatives, Inc.

**Document Numbers:** 55752, Federal Emergency Shelter Grant (FESG)  
49584, Supportive Housing Program (SHP)

**CFDA Numbers:** 14.231 (FESG)  
14.235 (SHP)

**Contract Periods:** January 1, 2007 through December 31, 2007 (FESG)  
November 1, 2004 through October 31, 2007 (SHP)

**Contract Amounts:** \$25,740 (FESG)  
\$618,923 (SHP)

These contracts provide funds from the Department of Housing and Urban Development (HUD), to Community Alternatives, Inc. (Agency) to provide housing services with integrated substance abuse treatment for homeless persons and their families.

**Purpose**

The purpose of this fiscal monitoring review was to determine the Agency's compliance with federal (including OMB Circular A-133), state and local Department of Human Services (DHS) requirements for the period November 1, 2005 through December 31, 2007, and make recommendations for improvements, if necessary.

**Scope and Methodology**

Inquiries were made regarding the Agency's internal controls relating to the grants administered by the DHS, tested evidence supporting the reports the Agency submitted to DHS and performed other procedures considered necessary. Fieldwork was completed on June 11, 2008.

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**INTRODUCTION**

**Exit Conference**

The Agency declined an exit conference.

**Management's Responses**

Management's responses to the observations and recommendations noted in the report were received on September 8, 2008 and have been incorporated into the report.

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**SUMMARY OF OBSERVATIONS**

**Conclusion**

The Agency did not fully comply with federal (including OMB Circular A-133), state and local DHS requirements.

**Status of Prior Observations**

The Agency's previous fiscal monitoring report, dated December 1, 2006, noted the following observation:

- The Agency did not require two signatures for checks under \$5,000. (**Unresolved, see "Summary of Current Observations" below**)

**A-133 Status**

The Agency had expended \$1,835,000 in federal funds for the year ending December 31, 2007. The required A-133 audit report was performed and dated May 1, 2008. The report had an unqualified opinion on the financial statements. There were no reportable conditions, findings, or questioned costs on the financial statements or the federal awards.

**Summary of Current Observations**

We made recommendation for the following observation, which if implemented, could assist the Agency in fully complying with federal, state, and local DHS requirements.

- The Agency does not require two signatures for checks under \$5,000

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**DETAILED OBSERVATIONS, RECOMMENDATIONS  
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**The Agency does not Require Two Signatures for Checks Under \$5,000**

The DHS Homeless Services Procedures Manual states, "Disbursements shall be made by pre-numbered checks that are signed by two duly authorized officers."

We noted that only one duly authorized officer signed the Agency's checks under \$5,000.

According to the Agency, it does not require two signatures for checks under \$5,000 because of the other controls that are in place such as automated computer system and supervisory/management review and approval of request for funds.

Non-compliance with DHS requirements may lead to the misuse/misappropriation of federal funds. Funds to the Agency may be suspended and it may not be able to provide services to its clients.

**Recommendation**

We recommend the Agency comply with the DHS Homeless Services Procedures manual's requirement of two signatures on all checks for expenditures reimbursed by the grant or obtain a waiver from DHS.

**Management's Response**

*You observed that Community Alternatives did not require two signatures for checks under \$15,000 previously and \$5,000 currently. I concur with this observation.*

*A waiver has been requested for this issue on numerous occasions, beginning back in June 2004. As stated in several previous management response letters, due to the volume of checks that flow through the accounting department on a monthly basis, as well as the small number of management team members, we chose to require a double signature on checks that exceed \$5,000. This was lowered from \$15,000 previously.*

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**DETAILED OBSERVATIONS, RECOMMENDATIONS  
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**Management's Response (Continued)**

*We have requested a waiver for this each time it has been cited in a fiscal monitoring and have not been responded to by the Homeless Services office. I will continue to follow-up on this issue until we have an answer either way.*